

BACKGROUND INFORMATION FOR BIDDING SPECIFICATIONS

Background

Under the auspices of a grant from the U.S. Department of Health and Human Service Health Resource and Services Administration Illinois developed a multi-tiered plan to: (1) identify the qualitative and quantitative demographic characteristics and needs of the uninsured population in the State, and (2) through a consensual and participatory process to develop policies and procedures that would allow all individuals in the State access to affordable health insurance. The Illinois Department of Insurance (DOI) served as the lead agency and coordinated with other key agencies and organizations including the Illinois Department's of Public Health, Public Aid, Commerce and Community Affairs, Human Services, and the Illinois Comprehensive Health Insurance Plan (high risk plan).

Research for the grant was undertaken by two major universities: Southern Illinois University at Carbondale (SIUC) in conjunction with the Program Evaluation for Education and Communities completed a compilation and synthesis of 30 focus groups and 14 key informant interviews and the University of Illinois at Chicago (UIC) in collaboration with the Health Research and Policy Centers and the Survey Research Laboratory (at UIC) developed and administered a random digit dial population based survey of the uninsured and newly insured population. Both institutions divided the State into five stratified regions: Northwestern, Central, Southern, Cook County and the Collar Counties of Cook County.

The Behavioral Risk Factor Surveillance System and the Illinois Center for Health Statistics in the Illinois Department of Public Health provided an expansion of ongoing research and data analysis pertaining to the uninsured population in the State. The staff of the State Planning Grant (SPG) developed a three volume Research Guide containing: (1) original review articles of topical interest (crowd-out, purchasing pools, tax credits, etc.), and articles relating to public and private sector initiatives in other states or localities considered to be of specific interest to the Illinois project; (2) a collection and organization of the works of other researchers working on the grant; and, (3) an analysis of public programs in twenty plus states. Short stories were written or adapted to provide insights into the plight of the uninsured, a "Must Read" list was developed, and a website was created for ease of communication with constituents.

Highlights of Research Results

The greatest likelihood is that the rate of uninsurance falls between 9.7% and 14.1%. According to the UIC random digit dial survey there are fewer uninsured persons in the State (9.7%) than reported in the U.S. Census Current Population Survey (14.1%) or by the Behavioral Risk Factor Surveillance Survey.

Approximately 64.32% of the uninsured are currently employed and nearly half of the working uninsured do not have employer-sponsored health insurance available. Almost 61% of the uninsured are employed by firms with fewer than 50 employees and are most likely to work in service occupations in service industries. Seasonal and part-time employees frequently do not

have access to employer-sponsored insurance, and some employees have not been with an employer long enough to qualify for employer sponsored insurance.

The uninsured are low to very low-income persons or families.

Cost/affordability is the single most important reason given for failing to acquire employer sponsored or private health insurance. The uninsured state that premiums, co-payments, and/or deductibles make health insurance costs prohibitive. Other reasons include: limitations on eligible health care providers; perceptions that pre-existing conditions limit qualification for employer sponsored insurance; plan quality; and life style choices. (Interestingly, this finding differs between the random digit dial survey and the focus group and key informant interviews.)

Awareness of public programs is a major issue for individuals and families who are eligible and fail to take-up public health insurance. Additional considerations include: perceptions of “taking charity;” poor quality; being badly treated; a complex and burdensome application process; little or no access to health care providers; cultural barriers or documentation issues; and lack of need.

The uninsured are obtaining their medical needs through emergency rooms, various community health centers, charity from doctors, and home remedies.

Grant Specifics: In Illinois State Planning Grant activities are process oriented and based on a series of steps, or stages:

Stage I: Initiation of the participatory, consensus building Illinois Assembly (the Assembly) process based on the American Assembly model and concurrent development of research design, implementation, analysis, and research conclusions. (Completed)

Stage II: Meeting of the Assembly (approximately 150 stakeholders) in January to establish areas of common interests and agreement among stakeholders and orientation to on going research activities. (Completed)

Stage III: Three-day Assembly meeting in July to present preliminary research results and facilitate small group consensus building exercises to develop possible policies, strategies, funding sources, implementation, and assessment procedures. (Completed)

Stage IV: Mail balloting of stakeholders to identify policy options for consideration. (Completed)

Stage V: Selection and pursuit of chosen policies deemed politically and financially feasible for implementation, enabling legislation, or other activity, as needed. (Partially Completed)

To date we have neither selected, nor failed to select, any of the policy options developed through the consensus building process of the Assembly. (Note: during the Assembly process five populations were considered as likely targets for policy that would maximize the State’s ability to reduce the number of uninsured: young adults, Hispanics and other minority groups, the working uninsured, children, and small business employers.) One strong area of agreement

that emerged during the process is that to successfully decrease the number of uninsured change must be incremental. The following three options received strong support from stakeholders during the participatory process and appear to be the most compelling for priority consideration:

1. Incentives for Small Business Employers: (a) Establishment of local, regional, or Statewide purchasing pools. While purchasing pools have been less than successful in some areas there have been, and are, remarkable success stories. Before entering into this venue the State would build on the existing research regarding reasons for both the success and failure of some of the more visible pools in an attempt to emulate the successes and avoid the failures. (b) Consideration of reinsurance to reduce cost to purchasing pools, enhance the private insurance marketplace, and most importantly, provide the opportunity for more employees to obtain insurance.

2. Continued support of the FamilyCare program: Allows family members and guardians of children eligible for the State Children's Health Insurance Plan (the Illinois KidCare program) as well as eligible children to participate in KidCare with incomes up to 200% of the Federal Poverty Level. Under the current estimates of eligibility this would increase the number of individuals insured by approximately 200,000 adults and 12,000 children.

3. Education, Marketing, and Enrollment Procedures: While efforts have been made to educate individuals (disseminate information regarding benefits and eligibility requirements for specific programs), strenuously marketing (selling) of existing programs particularly among cultural/ethnic/racial aggregates needs to be undertaken. Additional simplification of the application and enrollment procedures will enhance enrollments and take-up rates.

A number of financing alternatives were generated by the Illinois Assembly for each of the possible strategies recommended for consideration.

Current Status of Project

- I.) Focus is on affordable product for Small Business owners (25 or less employees) to be able to provide to their employees.
- II.) In March 2002 the Department of Insurance contracted with an actuary to design possible package products which met the recommendations of the Illinois Assembly. The design focused on three areas (*Note: Reports are available upon request, which include detailed information and concerns/suggestions from the groups*).
 - Small Employer Insurance Product
 - Small Employer Purchasing Pool
 - Small Employer Re-Insurance Pool
- III.) After the draft of the product design was completed it was presented to small business employers and insurance brokers. A series of statewide meetings with both groups were arranged. These groups discussed each of the products thoroughly and provided valuable

input for the final design. The following concerns and suggestions were addressed by each group (*Note: Reports are available upon request, which include detailed information and concerns/suggestions from the groups*).

Employer Concerns/Suggestions

- Costs
- Choice (physicians, network, plans)
- Education of Employees on the value of health coverage
- Larger employee contribution
- Regional Purchasing Pools
- Consumer Driven Health Plans

Insurance Brokers Concerns/Suggestions

- Choice (from least benefits [“bare bones”] to most benefits)
- Affordable
- Education of Employees on the value of health coverage
- Consumer Oriented Plan
- Include brokers

IV.) Develop a pilot program to test these concepts.

Product Design

The product will be a pilot program, which incorporates the coverage features identified in the research.

The goal of this product is a plan that can be used to test concepts designed by the Actuary taking into account the concerns expressed by the small employer and broker groups, or similar concepts for encouraging small employers to offer health insurance to their employees. Subsidies should be considered in the plan design. It is important to include all possible sources of funding.

Final design of the product should address the concerns from the small business employers. Also, should federal or state funding be available, what type of health coverage product would your organization be able to offer, and implement, either in a local, regional or statewide market. The product should be based primarily on the information provided with this RFP.

Product Specifications

The product design should include, but is not limited to, the following points:

- A description of a health care coverage plan that can be implemented on a pilot basis. A purchasing pool or re-insurance pool or similar concept may be part of the plan.
- The plan should include benefit design. The benefits may be provided through any conventional health insurance structure, including HMO, PPO, POS, and traditional programs and should include the following components:
 - In-patient and out-patient benefits.
 - Formulary
 - Co-payments
 - Location for pilot program.
 - Design for plan administration.
- For insurance products, the proposed product(s) must meet all applicable regulatory requirements.
- How many individuals does your organization anticipate will be covered during the pilot?
- Enrollment Period (for employer).
- Employer commitment period.
- Incentives for carrier commitment to stay with the plan after initial commitment period.
- Identify how to keep cost and cost increases to a minimum to assure continued participation.